



CITY COUNCIL BUDGET WORKSHOP

**Fiscal Year 2006
Budget Development Process**

May 3, 2005



Budget Workshop Agenda

- **Structural Deficit Revisited**
- **FY 05 Midyear Budget Performance**
- **FY 06 Budget Development Process**
- **Community and Employee Involvement**
- **Performance-based Program Budgeting**

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General Fund Structural Deficit Revisited

- **General Fund Approximately 20 Percent of Total City Budget**
- **Since the 1980s, One-time Resources Used to Balance Annual Budget**
 - ✓ City Used \$270 million Between FY 94 – FY 03
- **Size of Structural Deficit Ranged From \$4 million (FY 91) to \$43 million (FY 03)**
- **During This Period Programs, Services and Compensation Were Increased**

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Structural Deficit No Longer Sustainable

- **Non-Emergency Reserves Depleted**
 - ✓ Emergency Reserve Created
- **In FY 02, General Fund Deficit Projected to Grow to \$102 million in Three Years Due To:**
 - ✓ Lost UUT Revenue
 - ✓ Increased PERS Payments
 - ✓ Increased Healthcare, General Liability and Workers' Compensation Costs
 - ✓ Increased Safety Debt Service
 - ✓ Increased COPS UHP Grant Costs
- **Credit Downgrades Were Imminent**

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Structural Deficit Addressed

- **Three-Year Financial Strategic Plan Provided Clear Approach to Address Deficit**
- **Expenditure Reductions and Revenue Increases Equal \$72 million in FY 04 and FY 05**
 - ✓ 376 positions eliminated
 - ✓ General Administration and Management
 - ✓ Employee Compensation, Benefits and Work Practices
 - ✓ Operational and Organizational Changes
 - ✓ Materials, Supplies and Equipment
 - ✓ Maintenance Reductions
 - ✓ Capital Projects and Infrastructure
 - ✓ New and Existing Fees
 - ✓ Return on Assets and Marketing

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Structural Deficit Addressed (cont.)

- **Maintained Core Services to the Extent Possible**
 - ✓ Optimization and Internal Reviews of Key Services
 - ✓ Focusing Resources on Priorities
- **Reductions to Structural Deficit Are Unprecedented**
- **Other Cities Also Still Grappling With Fiscal Crises**

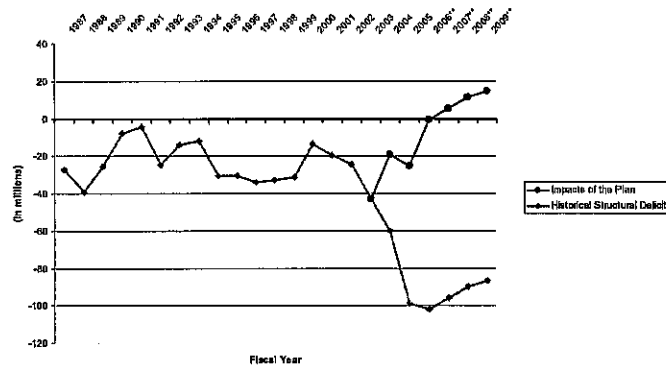
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The Plan Is Working



**Projection assumes FY 05 and FY 06 Plan targets achieved, without salary or other significant cost increases

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Deficit Reductions Not Pain Free

- **Providing Similar Number of Services With Fewer Resources**
- **Service Impacts Citywide**
 - ✓ Longer Customer Service Response Times
 - ✓ Decreased Library Hours by 20 Percent
 - ✓ Delayed Street Repair and Tree Maintenance
 - ✓ Longer Response Times for Utility Services
 - ✓ Increased Charges for Services
 - ✓ Curtailed Funding to Outside Service Providers
 - ✓ Reduced Municipal Band Concerts by 25 Percent

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Organization Strained

- **Workforce Strain**

- ✓ Vacancies Create Higher Workload
- ✓ Salaries Lag Behind Comparable Cities
- ✓ Cost for Benefits Increased
- ✓ Retention Incentives Diminished
- ✓ Higher Staff Turnover
- ✓ Overtime Cause for Concern

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FY 05 Midyear Budget Performance - Revenue

- **FY 05 General Fund Revenue Projected Up To 1 Percent Above Budget**
- **Performance Strong in Selected Revenue**
 - ✓ Property, Sales and Transient Occupancy Taxes
 - ✓ Pipeline Franchise Fees
 - ✓ Oil Transfers
- **Some Sources Performing Under Expectations**
 - ✓ Golf Revenue
 - ✓ Moving Violation Revenue

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FY 05 Midyear Budget Performance - Expenditures

- **FY 05 General Fund Expenditures Projected On Target**
- **Extraordinary Expenses in FY 05**
 - ✓ Winter Storm Damage
 - ✓ Increased Cost of Gasoline
 - ✓ Police Overtime
- **199 General Fund Vacancies Generating Savings**
- **Estimates to Close (ETCs)**
 - ✓ Difficult for Departments to Generate Carryover Savings as Budgets Reduced

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Year Three of the Plan

- **FY 06 Requires Additional \$30 million in Solutions**
- **Continued FY 05 Challenges**
 - ✓ \$3 million in Additional Negotiated Savings
 - ✓ \$1.5 million in Fire Department Savings/Revenue
 - ✓ \$813,000 in Custodial Optimization
- **Current FY 06 Plan Options Include (but are not limited to):**

✓ Employee Benefits and Work Practices	(\$15 million)
✓ Police Department Optimization Efforts (Incl. Crossing Guards and PSAs)	(\$2.7 million)
✓ Additional Contracting Opportunities	(\$1 million)
✓ Reduce CIP Funding	(\$650,000)
✓ Suspend PAL and DARE	(\$448,000)
✓ Reduce Citywide Park Rangers	(\$290,000)
✓ Close Main Library on Monday	(\$240,000)
✓ Transient Occupancy Tax	(\$1.1 million)

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Year Three of the Plan (Cont.)

- **Extending the Plan Difficult**
 - ✓ One-time Resources Scarce
 - ✓ Credit Downgrade Still Possible
- **City Charter Requires a Balanced Budget**
- **Without Reductions, Budget Will Not Balance**

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FY 06 Budget Development

- **Must Ensure Alignment of Available Resources to City Council and Community Priorities**
- **FY 06 City Council Priorities:**
 - ✓ Further Reduce Crime, Particularly Violent Crime
 - ✓ Enhance Neighborhood Economic Development
 - ✓ Improve Environmental Conditions in the City
 - ✓ Improve the Quality of Life in the Neighborhoods
 - ✓ Expand the Community's Involvement in the Workings of Long Beach Government

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FY 06 Budget Development (Cont.)

- ✓ Promote Workforce and Business Development to Create New Jobs; Become More Business Friendly
- ✓ Encourage the Public's Health and Well Being
- ✓ Promote Quality Housing Development; Improve Home Ownership Opportunities for Residents
- ✓ Improve the Transportation System to Efficiently and Effectively Move Goods and People Through the City
- ✓ Adopt an Annual Budget That Is Structurally Balanced

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FY 06 Budget Development (Cont.)

- **Departments Will Focus Available Resources On Achieving City Council Priorities**
- **Performance-based Program Budget To Measure Effectiveness of Resource Allocation and Services Delivered**
- **Fiscal Sustainability on the Horizon**

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FY 06 Budget Development Transparency and Community Input

- **Continue Practice of Extensive Community and Employee Involvement**
- **60 Proposed Community and Employee Budget Workshops and Hearings for FY 06**
 - ✓ 7 Monthly Budget Oversight Committee Meetings
 - ✓ 12 City Council Budget Workshops and Hearings
 - ✓ 39 Community Meetings - May and June
 - ✓ Budget 101 Workshop – May 16
 - ✓ Citywide Budget Summit III – July 9
 - ✓ City Manager/Employee Meetings – May and June
- **Monthly and Quarterly Budget Performance Reports**

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Performance-based Program Budgeting

- **All City Manager Departments Currently Developing Program Structure and Output Performance Measures for FY 06 Budget**
- **Presents Expenditures by Department and Program**
- **Will Establish Clear Outcomes and Deliverables**
- **Aligns Budget Allocation Information With Program Information and Performance Data**
- **Allows for Allocation of City Resources Based on Priority and Performance**

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Conclusion

- **Traditional Sources to Extend the Deficit Are Gone**
 - ✓ Reserves Depleted
- **Challenge to Generate Carry-over Savings in FY 05**
 - ✓ Providing Similar Services With Less Resources
- **FY 06 Budget Focus on City Council Priorities, Utilizing Available Resources**
 - ✓ Community and Employee Input Remain Central
- **Performance-based Program Budget Will Align Resources and Measure Performance**

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